

House File 2416

H-8103

1 Amend House File 2416 as follows:

2 1. By striking everything after the enacting clause  
3 and inserting:

4 <Section 1. **NEW SECTION. 512.1 Conversion from a**  
5 **mutual company to stock company allowed.**

6 A mutual insurance company may convert to a stock  
7 company pursuant to a plan of conversion established  
8 and approved in the manner provided by this chapter.

9 Sec. 2. **NEW SECTION. 512.2 Short title.**

10 This chapter shall be known and may be cited as the  
11 "*Iowa Insurance Company Mutual-to-Stock Conversion Act*".

12 Sec. 3. **NEW SECTION. 512.3 Definitions.**

13 As used in this chapter:

14 1. "*Capital stock*" means common or preferred stock  
15 or any hybrid security or other equity security issued  
16 by a converted stock company or other company or entity  
17 pursuant to the exercise of subscription rights granted  
18 pursuant to section 512.6, subsection 1, paragraph "c".

19 2. "*Commissioner*" means the commissioner of  
20 insurance appointed pursuant to section 505.2.

21 3. "*Converted stock company*" means a stock company  
22 that converted from a mutual company to a stock company  
23 under this chapter or any successor to the stock  
24 company.

25 4. "*Division*" means the insurance division of the  
26 department of commerce.

27 5. "*Domestic mutual company*" means a mutual  
28 insurance company domiciled in this state and organized  
29 under chapter 508 or 515.

30 6. "*Eligible member*" means a member of a mutual  
31 company whose policy is in force on the date the mutual  
32 company's governing body adopts a plan of conversion or  
33 such earlier date as the mutual company may establish  
34 with the consent of the commissioner. A person insured  
35 under a group policy is not an eligible member. A  
36 person whose policy becomes effective after the  
37 governing body adopts the plan but before the plan's  
38 effective date is not an eligible member but shall have  
39 those rights established under section 512.10.

40 7. "*Foreign mutual company*" means a mutual insurance  
41 company domiciled in a jurisdiction other than this  
42 state and organized in a similar manner to a domestic  
43 mutual company organized under chapter 508 or 515.

44 8. "*Governing body*" means the board of directors of  
45 a mutual company, a mutual holding company, or a stock  
46 company.

47 9. "*Mutual company*" means a mutual insurance  
48 company that is seeking to convert to a stock company  
49 under this chapter including a domestic mutual company  
50 and a foreign mutual company that has applied to

1 redomesticate to this state with an intent to file an  
2 application to convert from a mutual company to a stock  
3 company under this chapter.

4 10. *a. "Mutual holding company"* means any of the  
5 following whose articles of incorporation include the  
6 provisions set out in paragraph "b":

7 (1) A nonstock corporation resulting from a  
8 reorganization of a mutual company under this chapter.

9 (2) A nonstock corporation resulting from a  
10 reorganization of a mutual company under the laws of  
11 any other jurisdiction that subsequently redomesticates  
12 in this state.

13 (3) A nonstock corporation incorporated in  
14 this state surviving or resulting from a merger or  
15 consolidation with a nonstock corporation that resulted  
16 from a reorganization of a mutual company under the  
17 laws of any other jurisdiction.

18 *b.* The articles of incorporation of a mutual  
19 holding company shall include provisions setting forth  
20 all of the following:

21 (1) That the mutual holding company is a mutual  
22 holding company as defined in this chapter.

23 (2) That the mutual holding company shall hold not  
24 less than a majority of the shares of voting stock  
25 of a converted stock company or intermediate holding  
26 company, which in turn holds, directly or indirectly,  
27 all of the voting stock of the converted stock company.

28 (3) That the mutual holding company is not  
29 authorized to issue any capital stock except pursuant  
30 to a conversion in accordance with the provisions of  
31 this chapter.

32 (4) That the mutual holding company's members shall  
33 have the rights specified in this chapter and in its  
34 articles of incorporation and bylaws.

35 (5) That the mutual holding company's assets shall  
36 be subject to inclusion in the estate of the converted  
37 company in any rehabilitation or insolvency proceedings  
38 initiated by the commissioner.

39 11. *"Participating policy"* means a policy of a  
40 mutual company that grants a member the right to  
41 receive dividends if, as, and when declared by the  
42 mutual company.

43 12. *"Person"* means an individual, a corporation,  
44 a limited liability company, a partnership, an  
45 association, a joint stock company, a trust, an  
46 unincorporated organization, a similar entity, or a  
47 combination of the foregoing acting in concert.

48 13. *"Plan of conversion"* or *"plan"* means a plan  
49 adopted by a mutual company's governing body to convert  
50 the mutual company into a stock company under this

1 chapter.

2 14. "*Policy*" means an insurance policy, including  
3 an annuity contract.

4 15. "*Standby investor*" means a person that has  
5 agreed in writing to purchase all or a portion of  
6 the capital stock to be sold in a mutual-to-stock  
7 conversion that is not subscribed by eligible members.

8 16. "*Stock company*" means a stock insurance  
9 company that meets all of the current requirements for  
10 admission to do business as a domestic company in this  
11 state under chapter 508 or 515.

12 17. "*Subscription right*" means the nontransferable  
13 right to purchase, for a period of not less than  
14 twenty or more than thirty-five days, the stock of the  
15 converted stock company, its proposed stock holding  
16 company, or an unaffiliated stock company, or other  
17 corporation or entity that will acquire the converted  
18 stock company through the purchase of all the stock of  
19 the converted stock company.

20 18. "*Voting member*" means a member who is an  
21 eligible member and is also a member of the mutual  
22 company as of a date not more than ninety days prior  
23 to the date of the meeting at which the plan shall be  
24 voted upon by members.

25 Sec. 4. NEW SECTION. 512.4 Adoption of plan of  
26 conversion.

27 1. A plan of conversion shall not become effective  
28 unless the mutual company seeking to convert to a stock  
29 company shall have adopted, by the affirmative vote  
30 of not less than two-thirds of its governing body and  
31 otherwise in accordance with law, a plan consistent  
32 with the requirements of sections 512.6 and 512.7  
33 or section 512.8. At any time before approval of a  
34 plan by the commissioner, the mutual company, by the  
35 affirmative vote of not less than a majority of its  
36 governing body, may amend or withdraw the plan.

37 2. Before a mutual company's eligible members may  
38 vote on approval of a plan, a mutual company whose  
39 governing body has adopted a plan shall file all of  
40 the following documents with the commissioner within  
41 ninety days after adoption of the plan together with  
42 the specified application fee:

43 a. The plan, including the independent evaluation  
44 required by section 512.6, subsection 4.

45 b. The form of notice required by subsection 7.

46 c. The form of proxy to be solicited from eligible  
47 members pursuant to subsection 8.

48 d. The form of notice required by section 512.10 to  
49 persons whose policies are issued after adoption of the  
50 plan but before its effective date.

1 e. The proposed amended and restated articles  
2 of incorporation and bylaws of the converted stock  
3 company.  
4 f. The acquisition of control statement.  
5 g. An application fee equal to the greater of ten  
6 thousand dollars or an amount equal to one-tenth of one  
7 percent of the estimated pro forma market value of the  
8 converted stock company as determined in accordance  
9 with section 512.6, subsection 4. If such value is  
10 expressed as a range of values, the application fee  
11 shall be based upon the midpoint of the range. For  
12 good cause shown, the commissioner may waive the  
13 application fee in whole or in part, or permit a  
14 portion of the application fee to be deferred until  
15 completion of the conversion.  
16 h. Such other information as the commissioner may  
17 request.  
18 3. Upon filing of the foregoing documents with  
19 the commissioner, the mutual company shall send to  
20 eligible members a notice advising eligible members  
21 of the adoption and filing of the plan, their ability  
22 to provide the commissioner and the mutual company  
23 with comments on the plan within thirty days of the  
24 date of such notice, and procedures for providing such  
25 comments.  
26 4. The commissioner shall immediately give written  
27 notice to the mutual company of any decision and, in  
28 the event of disapproval, a statement in detail of  
29 the reasons for the decision. The commissioner shall  
30 approve the plan if the commissioner finds all of the  
31 following:  
32 a. The plan complies with this chapter.  
33 b. The plan is fair and equitable to the mutual  
34 insurer and its members.  
35 c. The converted stock company will have the amount  
36 of capital and surplus deemed by the commissioner to be  
37 reasonably necessary for its future solvency.  
38 d. The plan's method of allocating subscription  
39 rights is fair and equitable.  
40 5. The commissioner may retain, at the mutual  
41 company's expense, any qualified expert not otherwise  
42 a part of the commissioner's staff, including counsel  
43 and financial advisors, to assist in reviewing the plan  
44 and the independent evaluations required under section  
45 512.6, subsection 4.  
46 6. The commissioner may order, at the mutual  
47 company's expense, a hearing on whether the terms of  
48 the plan comply with this chapter after giving written  
49 notice by mail or publication to the mutual company and  
50 other interested persons, all of whom have the right

1 to appear at the hearing.

2 7. All voting members shall be sent notice of the  
3 members' meeting to vote on the plan. The notice shall  
4 fairly describe the proposed plan, shall inform the  
5 voting member of the voting member's right to vote upon  
6 the plan, and shall be sent to each voting member's  
7 last known address, as shown on the mutual company's  
8 records. If the meeting to vote upon the plan is held  
9 during the mutual company's annual meeting of members,  
10 only a combined notice of the meeting is required.

11 8. The plan shall be voted upon by voting members  
12 and shall be adopted upon receiving the affirmative  
13 vote of at least two-thirds of the votes cast at the  
14 meeting. Voting members entitled to vote upon the  
15 proposed plan may vote in person or by proxy. The  
16 number of votes each voting member may cast shall be  
17 determined by the mutual company's bylaws. If the  
18 bylaws are silent, each voting member may cast one  
19 vote.

20 9. The amended and restated articles of  
21 incorporation of the converted stock company shall  
22 be considered at the meeting of the voting members  
23 called for the purpose of adopting the plan and shall  
24 require for adoption the affirmative vote of at least  
25 two-thirds of the votes cast at the meeting.

26 10. Within thirty days after the voting members  
27 have approved the plan in accordance with the  
28 requirements of this section, the converted stock  
29 company shall file all of the following documents with  
30 the commissioner:

31 a. The minutes of the meeting of the voting members  
32 at which the plan was approved which shall include the  
33 record of total votes cast and votes cast in favor of  
34 the plan.

35 b. The amended and restated articles of  
36 incorporation and bylaws of the converted stock  
37 company.

38 **Sec. 5. NEW SECTION. 512.5 Redomestication and**  
39 **conversion.**

40 A foreign mutual company or foreign mutual  
41 holding company that has filed an application for  
42 redomestication may file an application for conversion  
43 under this chapter promptly after completion of the  
44 redomestication or promptly after approval of the  
45 redomestication by the members of the foreign mutual  
46 company or foreign mutual holding company if such a  
47 member vote is required under the laws of the state  
48 of domicile of the foreign mutual company or foreign  
49 mutual holding company.

50 **Sec. 6. NEW SECTION. 512.6 Required provisions of**

1 plan of conversion.

2 1. All of the following provisions shall be  
3 included in a plan of conversion:

4 a. The reasons for the proposed conversion.

5 b. The effect of conversion on existing policies,  
6 including all of the following:

7 (1) A provision that all policies in force on the  
8 effective date of conversion continue to remain in  
9 force under the terms of the policies, except that the  
10 following rights, to the extent the rights existed  
11 in the mutual company, shall be extinguished on the  
12 effective date of the conversion:

13 (a) Any voting rights of the policyholders provided  
14 under the policies.

15 (b) Except as provided under subparagraph (2), any  
16 right to share in the surplus of the mutual company,  
17 unless such right is expressly provided for under the  
18 provisions of the existing policy.

19 (c) Any assessment provisions provided for under  
20 certain types of policies.

21 (2) Except as provided in subparagraph (3), a  
22 provision that policyholders of participating policies  
23 in effect on the date of conversion continue to  
24 have a right to receive dividends as provided in the  
25 participating policies, if any.

26 (3) Except for the mutual company's life policies,  
27 participating guaranteed renewable accident and health  
28 policies, and participating guaranteed renewable  
29 noncancelable accident and health policies, a provision  
30 that upon the renewal date of a participating policy,  
31 the converted stock company may issue the member a  
32 nonparticipating policy eliminating the rights of the  
33 members to receive dividends as a substitute for the  
34 participating policy. This subparagraph shall not be  
35 construed to permit the substitution, during the term  
36 of a policy, of a nonexperience-rated policy for an  
37 experience-rated policy.

38 c. The grant of subscription rights to eligible  
39 members, including both of the following:

40 (1) (a) A provision that each eligible member  
41 is to receive, without payment, nontransferable  
42 subscription rights to purchase the capital stock of  
43 the converted stock company and that, in the aggregate,  
44 all eligible members shall have the right, prior to  
45 the right of any other party, to purchase one hundred  
46 percent of the capital stock of the converted stock  
47 company, exclusive of any shares of capital stock  
48 required to be sold or distributed to the holders of  
49 surplus notes, if any, and capital stock purchased by  
50 the company's tax-qualified employee stock benefit plan

1 that is in excess of the total price of the capital  
2 stock established under subsection 4, as permitted by  
3 section 512.7, subsection 1. As an alternative to  
4 subscription rights in the converted stock company,  
5 the plan may provide that each eligible member is to  
6 receive, without payment, nontransferable subscription  
7 rights to purchase a portion of the capital stock of  
8 one of the following:

9 (i) A corporation or entity organized for the  
10 purpose of purchasing and holding all the stock of the  
11 converted stock company.

12 (ii) A stock company owned by the mutual company  
13 into which the mutual company will be merged.

14 (iii) An unaffiliated stock company or other  
15 corporation or entity that will purchase all the stock  
16 of the converted stock company.

17 (b) For purposes of any plan, the following  
18 transfers of subscription rights shall not be deemed an  
19 unpermitted transfer under this chapter:

20 (i) Transfer of subscription rights from an  
21 individual to such individual and such individual's  
22 spouse or children or to a trust or other estate or  
23 wealth planning entity established for the benefit  
24 of such individual, or such individual's spouse or  
25 children.

26 (ii) Transfer of subscription rights from an  
27 individual to such individual's individual or joint  
28 individual retirement account, or other tax-qualified  
29 retirement plan.

30 (iii) Transfer of subscription rights from an  
31 entity to the shareholders, partners, or members of  
32 such entity.

33 (iv) Transfer of subscription rights from the  
34 member to the mutual company, its proposed holding  
35 company, or an unaffiliated stock company or other  
36 corporation or entity that will purchase all the  
37 stock of the converted stock company as provided in  
38 subparagraph division (a), subparagraph subdivision  
39 (iii).

40 (2) A provision that the subscription rights shall  
41 be allocated in whole shares among the eligible members  
42 using a fair and equitable formula. The formula need  
43 not allocate subscription rights to eligible members  
44 on a pro rata basis based on premium payments or  
45 contributions to surplus, but may take into account how  
46 the different types of policies of the eligible members  
47 contributed to the surplus of the mutual company  
48 or any other factors that may be fair or equitable.  
49 Allocation of subscription rights on a per capita  
50 basis shall be entitled to a presumption that such

1 method is fair, subject to rebuttal of fairness by a  
2 preponderance of evidence. In accordance with section  
3 512.4, subsection 5, the commissioner may retain an  
4 independent consultant to assist in the determination  
5 that the allocation of subscription rights is fair and  
6 equitable.

7 2. The plan shall provide a fair and equitable  
8 means for allocating shares of capital stock in the  
9 event of an oversubscription to shares by eligible  
10 members exercising subscription rights received under  
11 subsection 1, paragraph "c".

12 3. The plan shall provide that any shares of  
13 capital stock not subscribed to by eligible members  
14 exercising subscription rights received under  
15 subsection 1, paragraph "c", shall be sold in a public  
16 offering or to another corporation or entity that is  
17 participating in the plan, as provided in subsection  
18 1, paragraph "c", subparagraph (1). If the number  
19 of shares of capital stock not subscribed by eligible  
20 members is so small in number or other factors exist  
21 that do not warrant the time or expense of a public  
22 offering, or warrant the participation of standby  
23 investors to facilitate completion of the conversion,  
24 the plan may provide for sale of the unsubscribed  
25 shares through a private placement or other alternative  
26 method approved by the commissioner that is fair and  
27 equitable to eligible members.

28 4. The plan shall provide for the preparation of  
29 a valuation by a qualified independent expert that  
30 establishes all of the following:

31 a. The dollar amount of the capital stock for  
32 which subscription rights must be granted pursuant to  
33 subsection 1, paragraph "c", which shall be equal to  
34 the estimated pro forma market value of the converted  
35 stock company. The qualified independent expert may do  
36 all of the following:

37 (1) To the extent feasible, determine the pro forma  
38 market value by reference to a peer group of stock  
39 companies and the application of generally accepted  
40 valuation techniques.

41 (2) State the pro forma market value of the  
42 converted stock company as a range of value.

43 (3) Establish the value as the value that is  
44 estimated to be necessary to attract full subscription  
45 for the shares.

46 b. The dollar value of a subscription right based  
47 upon the application of the Black-Scholes option  
48 pricing model or another generally accepted option  
49 pricing model. In connection with the determination of  
50 stock price volatility or other valuation inputs used

1 in option pricing models, the qualified independent  
2 expert may assume that the attributes of the converted  
3 stock company will be substantially similar to the  
4 attributes of the stock of the peer companies used  
5 to determine the estimated pro forma market value of  
6 the converted stock company. Solely for purposes of  
7 determining the value of a subscription right, the term  
8 of a subscription right shall be deemed to be a minimum  
9 of ninety days.

10 5. The plan shall provide that each eligible member  
11 shall be given the right to require the mutual company  
12 to redeem such subscription rights, in lieu of the  
13 exercise of subscription rights allocated to such  
14 eligible member, at a price equal to the number of  
15 such subscription rights allocated to such eligible  
16 member multiplied by the dollar value of a subscription  
17 right as determined by the qualified independent  
18 expert pursuant to subsection 4, paragraph "b". The  
19 obligation of the mutual company to redeem such  
20 subscription rights shall arise only upon the effective  
21 date of the plan as provided in section 512.9. The  
22 redemption price payable to each eligible member shall  
23 be paid to such eligible member within thirty days  
24 of the effective date of the plan. Alternatively,  
25 the converted stock company may, but shall not be  
26 required to, offer each eligible member the option  
27 of receiving the redemption amount in cash or having  
28 such redemption amount credited against future premium  
29 payments. An eligible member that does not exercise  
30 such eligible member's subscription rights and also  
31 fails to affirmatively request redemption of such  
32 subscription rights before the expiration of the  
33 subscription offering, nevertheless shall be deemed to  
34 have requested redemption of such eligible member's  
35 subscription rights and shall receive the redemption  
36 amount in cash in the manner otherwise provided in this  
37 subsection.

38 6. The plan shall set the purchase price per share  
39 of capital stock equal to any reasonable amount.  
40 However, the minimum subscription amount required of  
41 any eligible member cannot exceed five hundred dollars,  
42 but the plan may provide that the minimum number of  
43 shares any person may purchase pursuant to the plan is  
44 twenty-five shares. The purchase price per share at  
45 which capital stock is offered to persons who are not  
46 eligible members may be greater than but not less than  
47 the purchase price per share at which capital stock is  
48 offered to eligible members.

49 7. The plan shall provide that any person or group  
50 of persons acting in concert shall not acquire, in

1 the public offering or pursuant to the exercise of  
2 subscription rights, more than five percent of the  
3 capital stock of the converted stock company or the  
4 stock of another corporation that is participating  
5 in the plan, as provided in subsection 1, paragraph  
6 "c", subparagraph (1), subparagraph division (a),  
7 subparagraph subdivision (i), (ii), or (iii), except  
8 with the approval of the commissioner. This limitation  
9 does not apply to any entity that is to purchase one  
10 hundred percent of the capital stock of the converted  
11 stock company as part of the plan approved by the  
12 commissioner or to any person that acts as a standby  
13 investor of the capital stock of the converted stock  
14 company for an amount equal to ten percent or more  
15 of the capital stock of the converted stock company,  
16 provided that in each case such purchase by a standby  
17 investor of ten percent or more of the capital stock  
18 of the converted stock company is approved by the  
19 commissioner in accordance with the law of this state  
20 following the filing of an acquisition of control  
21 statement.

22 8. The number of the common shares which any  
23 person, together with any affiliates or group of  
24 persons acting in concert, may subscribe for or  
25 purchase in the converted stock company shall be  
26 limited to not more than five percent of the common  
27 shares. For this purpose, neither the members of the  
28 governing body of the converted stock company nor of  
29 its parent corporation, if any, shall be deemed to be  
30 affiliates or a group of persons acting in concert  
31 solely by reason of being members of the governing  
32 body. This provision does not prohibit the directors  
33 and officers from doing any of the following:

34 a. Making block purchases of one percent or more  
35 of the outstanding common stock other than through a  
36 broker-dealer if approved in writing by the division.

37 b. Exercising subscription rights received under  
38 the plan.

39 c. Participating in a stock benefit plan permitted  
40 by section 512.7, subsection 1, or approved by  
41 shareholders pursuant to section 512.12, subsection 2.

42 9. The plan shall provide that, unless the common  
43 shares have a public market when issued, officers and  
44 directors of the converted stock company and their  
45 affiliates shall not, for at least ninety days after  
46 the date of conversion, purchase common shares of the  
47 issuer, except in negotiated transactions involving  
48 more than ten percent of the outstanding common shares,  
49 and shall not sell stock purchased pursuant to this  
50 section within one year after the effective date of

1 the conversion, except that this section shall not be  
2 deemed to restrict a transfer of stock by such director  
3 or officer if the stock is the stock of a corporation  
4 that is participating in the plan as provided in  
5 subsection 1, paragraph "c", subparagraph (1),  
6 subparagraph division (a), subparagraph subdivision  
7 (iii), and has a class of stock registered under  
8 the Securities Exchange Act of 1934, as amended, 15  
9 U.S.C. §78a et seq., or if the transfer is to the  
10 spouse or minor children of such director or officer,  
11 or to a trust or other estate or wealth planning  
12 entity established for the benefit of such director  
13 or officer, or the spouse or minor children of such  
14 director or officer.

15 10. The plan shall provide that the rights of  
16 a holder of a surplus note to participate in the  
17 conversion, if any, shall be governed by the terms of  
18 the surplus note.

19 11. The plan shall provide that, without the  
20 prior approval of the commissioner, a converted stock  
21 company, or any corporation participating in the  
22 conversion plan pursuant to subsection 1, paragraph  
23 "c", subparagraph (1), subparagraph division (a),  
24 subparagraph subdivision (i) or (ii), shall not, for a  
25 period of five years from the date of the completion  
26 of the conversion, repurchase any of its capital stock  
27 from any person, except that this restriction shall not  
28 apply to either of the following:

29 a. A repurchase on a pro rata basis pursuant to  
30 an offer made to all shareholders of the converted  
31 stock company, or any corporation participating in the  
32 conversion plan pursuant to subsection 1, paragraph  
33 "c", subparagraph (1), subparagraph division (a),  
34 subparagraph subdivision (i) or (ii).

35 b. A purchase in the open market by a  
36 tax-qualified, or nontax-qualified employee stock  
37 benefit plan in an amount reasonable and appropriate  
38 to fund the plan.

39 **Sec. 7. NEW SECTION. 512.7 Optional provisions of**  
40 **plan of conversion.**

41 1. With the prior approval of the commissioner, the  
42 plan may allocate to a tax-qualified employee benefit  
43 plan nontransferable subscription rights to purchase up  
44 to ten percent of the capital stock of the converted  
45 stock company or the stock of another corporation that  
46 is participating in the plan, as provided in section  
47 512.6, subsection 1, paragraph "c", subparagraph (1),  
48 subparagraph division (a), subparagraph subdivision  
49 (iii). A tax-qualified employee benefit plan is  
50 entitled to exercise subscription rights granted under

1 this subsection regardless of the total number of  
2 shares purchased by other persons.  
3 2. With the prior approval of the commissioner,  
4 the plan may provide that the other classes of  
5 subscribers approved by the commissioner shall receive  
6 nontransferable subscription rights to purchase  
7 capital stock of the converted stock company or the  
8 stock of another corporation that is participating in  
9 the conversion plan, as provided in section 512.6,  
10 subsection 1, paragraph "c", subparagraph (1),  
11 subparagraph division (a), subparagraph subdivision  
12 (iii). Other classes of subscribers that may be  
13 approved by the commissioner include, without  
14 limitation, any of the following:

15 a. Members of the mutual company that became  
16 members after the date fixed for establishing eligible  
17 members.

18 b. The shareholders of another corporation that  
19 is participating in the plan, as provided in section  
20 512.6, subsection 1, paragraph "c", subparagraph (1),  
21 subparagraph division (a), subparagraph subdivision  
22 (iii).

23 c. The shareholders of another corporation that is  
24 a party to an acquisition, merger, consolidation, or  
25 other similar transaction with the mutual company.

26 **Sec. 8. NEW SECTION. 512.8 Alternative plan of**  
27 **conversion.**

28 1. The governing body may adopt a plan of  
29 conversion that does not rely in whole or in part upon  
30 issuing nontransferable subscription rights to members  
31 to purchase stock of the converted stock company if the  
32 commissioner finds that the plan does not prejudice  
33 the interests of the members, is fair and equitable,  
34 and is not inconsistent with the purpose of this  
35 chapter. Subject to a finding of the commissioner  
36 that an alternative plan is fair and equitable and is  
37 not inconsistent with the purpose of this chapter, an  
38 alternative plan may do any of the following:

39 a. Include the merger of a domestic mutual company  
40 into a domestic or foreign stock company.

41 b. Provide for issuing transferable or redeemable  
42 subscription rights.

43 c. Provide for issuing stock, cash, policyholder  
44 credits, or other consideration, or any combination  
45 of the foregoing, to members instead of subscription  
46 rights.

47 d. Provide for partial conversion of the mutual  
48 company and formation of a mutual holding company  
49 pursuant to section 521A.14.

50 e. Set forth another plan containing any other

1 provisions approved by the commissioner.

2 2. The commissioner may approve a partial  
3 conversion pursuant to this chapter and formation of a  
4 mutual holding company pursuant to section 521A.14.

5 **Sec. 9. NEW SECTION. 512.9 Effective date of plan**  
6 **of conversion.**

7 A plan of conversion is effective when the  
8 commissioner has approved the plan, the voting members  
9 have approved the plan and adopted the amended and  
10 restated articles of incorporation of the converted  
11 stock company, and the amended and restated articles of  
12 incorporation are filed in the office of the secretary  
13 of state of this state. The secretary of state shall  
14 accept for filing a verified copy of the amended and  
15 restated articles of incorporation of the converted  
16 stock company.

17 **Sec. 10. NEW SECTION. 512.10 Rights of members**  
18 **whose policies are issued after adoption of plan of**  
19 **conversion and before effective date.**

20 1. All members whose policies are issued after the  
21 proposed plan of conversion has been adopted by the  
22 governing body and before the effective date of the  
23 plan shall be sent a written notice regarding the plan  
24 upon issuance of such policy.

25 2. A member of a life or health insurance company  
26 entitled to be sent the notice described in subsection  
27 1 is entitled to rescind the member's policy and  
28 receive a full refund of any amounts paid for the  
29 policy or contract within ten days after such member  
30 has received the notice. Except as provided in  
31 subsection 3, each member of a property or casualty  
32 insurance company entitled to receive the notice  
33 provided for in subsection 1 shall be advised of the  
34 member's right of cancellation and to a pro rata refund  
35 of unearned premiums.

36 3. A member of a life or health insurance company,  
37 or property or casualty insurance company, who has made  
38 or filed a claim under such member's insurance policy  
39 shall not be entitled to any right to receive any  
40 refund under subsection 2. A person who has exercised  
41 the rights provided by subsection 2 shall not be  
42 entitled to make or file any claim under such person's  
43 insurance policy.

44 **Sec. 11. NEW SECTION. 512.11 Corporate existence.**

45 1. On the effective date of the conversion, the  
46 corporate existence of the mutual company continues in  
47 the converted stock company. The commissioner shall  
48 issue a new certificate of authority to the converted  
49 stock company effective on the date specified in the  
50 plan. The converted stock company is a continuation

1 of the mutual insurance company and the conversion  
2 does not annul or modify any of the mutual insurance  
3 company's existing suits, contracts, or liabilities  
4 except as provided in the approved conversion plan.  
5 All rights, franchises, and interests of the mutual  
6 insurance company in and to property, assets, and other  
7 interests shall be transferred to and shall vest in the  
8 converted stock company and the converted stock company  
9 shall assume all obligations and liabilities of the  
10 mutual insurance company. The converted stock company  
11 shall exercise all rights and powers and perform  
12 all duties conferred or imposed by law on insurance  
13 companies writing the classes of insurance written  
14 by the converted stock company, and shall retain the  
15 rights and contracts existing before conversion,  
16 subject to provisions of the plan.

17 2. Unless otherwise specified in the plan of  
18 conversion, the persons who are directors and officers  
19 of the mutual company or the mutual holding company on  
20 the effective date of the conversion shall serve as  
21 directors and officers of the converted stock company  
22 until new directors and officers of the converted  
23 stock company are elected pursuant to the amended and  
24 restated articles of incorporation and bylaws of the  
25 converted stock company.

26 Sec. 12. NEW SECTION. 512.12 Conflict of interest.

27 1. A director, officer, agent, or employee of the  
28 mutual company shall not receive any fee, commission,  
29 or other valuable consideration, other than such  
30 person's usual regular salary or compensation, for  
31 aiding, promoting, or assisting in a conversion  
32 under this chapter, except as provided for in the  
33 plan approved by the commissioner. This provision  
34 does not prohibit the payment of reasonable fees and  
35 compensation to attorneys, accountants, financial  
36 advisors, and actuaries for services performed in the  
37 independent practice of their professions, even if the  
38 attorney, accountant, financial advisor, or actuary is  
39 also a director or officer of the mutual company.

40 2. For a period of the later of five years after  
41 the effective date of the conversion, or five years  
42 following the date of distribution of consideration to  
43 the members in exchange for their membership interests,  
44 a converted stock company shall not implement any  
45 nontax-qualified stock benefit plan unless the plan is  
46 approved by a majority of votes cast at a duly-convened  
47 meeting of shareholders held not less than six months  
48 after the effective date of the conversion.

49 3. All the costs and expenses connected with a  
50 plan of conversion shall be paid for or reimbursed

1 by the mutual company or the converted stock company.  
2 However, if the plan provides for participation by  
3 another corporation or stock company in the plan  
4 pursuant to section 512.6, subsection 1, paragraph  
5 "c", subparagraph (1), subparagraph division (a), the  
6 corporation or stock company may pay for or reimburse  
7 all or a portion of the costs and expenses connected  
8 with the plan.

9 Sec. 13. NEW SECTION. 512.13 Failure to give  
10 notice.

11 If the mutual company complies substantially and  
12 in good faith with the notice requirements of this  
13 chapter, the mutual company's failure to send a member  
14 the required notice does not impair the validity of any  
15 action taken under this chapter.

16 Sec. 14. NEW SECTION. 512.14 Limitation on  
17 actions.

18 Any action challenging the validity of or arising  
19 out of acts taken or proposed to be taken under this  
20 chapter shall be commenced not later than thirty days  
21 following the date of approval by the commissioner,  
22 unless an application for rehearing is filed pursuant  
23 to section 17A.16, subsection 2. If an application  
24 for rehearing is filed, then such action must be filed  
25 within thirty days after that application is denied or  
26 deemed denied or, if the application is granted, within  
27 thirty days after the issuance of the commissioner's  
28 final decision on rehearing. The converted stock  
29 company or any defendant may petition the court  
30 in such action to give security for the reasonable  
31 attorney fees which may be incurred by any party to the  
32 action. The amount of the security may be increased  
33 or decreased in the discretion of the court having  
34 jurisdiction if a showing is made that the security  
35 provided is or may become inadequate or excessive.

36 Sec. 15. NEW SECTION. 512.15 Rules.

37 The commissioner shall adopt rules pursuant to  
38 chapter 17A to carry out the provisions of this  
39 chapter.

40 Sec. 16. NEW SECTION. 512.16 Laws applicable to  
41 converted stock company.

42 1. A mutual company shall not be permitted to  
43 convert under this chapter if, as a direct result  
44 of the conversion, a person or any affiliate of the  
45 person acquires control of the converted stock company,  
46 unless the person and the person's affiliates comply  
47 with the provisions of this state's laws regarding the  
48 acquisition of control of an insurance company.

49 2. Except as otherwise specified in this chapter,  
50 a stock company converted under this chapter shall

1 have and may exercise all the rights and privileges  
2 and shall be subject to all of the requirements and  
3 regulations imposed on stock companies under this  
4 chapter and any other laws of this state relating to  
5 the regulation and supervision of insurance companies,  
6 but the stock company shall not exercise any rights or  
7 privileges which other stock companies cannot exercise.

8     Sec. 17. NEW SECTION. 512.17 Commencement of  
9 business as a stock company.

10     A mutual company shall not have the power to engage  
11 in the business of insurance as a stock company until  
12 it complies with all provisions of this chapter.

13     Sec. 18. NEW SECTION. 512.18 Amendment of  
14 policies.

15     A mutual company, by endorsement or rider approved  
16 by the commissioner and sent to a member, may  
17 simultaneously with or at any time after the adoption  
18 of a plan of conversion amend any outstanding insurance  
19 policy for the purpose of extinguishing the right  
20 of the member to share in the surplus of the mutual  
21 company. However, this amendment shall be null and  
22 void if the plan of conversion is not submitted to the  
23 commissioner or, if submitted, is disapproved by the  
24 commissioner or, if approved by the commissioner, is  
25 not approved by the eligible members on or before the  
26 first anniversary of its approval by the commissioner.

27     Sec. 19. NEW SECTION. 512.19 Prohibition on  
28 acquisitions of control.

29     Except as otherwise specifically provided in section  
30 512.6, from the date a plan of conversion is adopted  
31 by the governing body of a mutual company until five  
32 years after the effective date of the plan, a person  
33 shall not directly or indirectly offer to acquire, make  
34 any announcement to acquire or acquire in any manner,  
35 including making a filing with the division for such  
36 acquisition under a statute or rule of this state, the  
37 beneficial ownership of ten percent or more of a class  
38 of a voting security of the converted stock company  
39 or of a person which controls the voting securities  
40 of the converted stock company, unless the converted  
41 stock company or a person who controls the voting  
42 securities of the converted stock company consents to  
43 such acquisition and such acquisition is otherwise  
44 approved by the commissioner.>

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PETTENGILL of Benton